

**District Court Funds of
District No. 28
City of Southgate, Michigan**

**Financial Report
with Additional Information
June 30, 2003**

District Court Funds of District No. 28

City of Southgate, Michigan

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Independent Auditor's Report

To the Honorable James A. Kandrevas,
District Judge of the 28th District
City of Southgate, Michigan

We have audited the accompanying balance sheet of the District Court Funds of District No. 28, City of Southgate, Michigan as of June 30, 2003 and the related statement of revenue, expenditures, and change in fund balance for its component unit for the year then ended. These financial statements are the responsibility of the 28th District Court, City of Southgate, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District Court Funds of District No. 28, City of Southgate, Michigan as of June 30, 2003 and the related statement of revenue, expenditures, and changes in fund balance for its component unit for the year ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

October 16, 2003

District Court Funds of District No. 28

City of Southgate, Michigan

Balance Sheet June 30, 2003

	General Government			Component
	General	Bond		Unit
	Account	Account	Total	Work Program
Assets				
Cash and cash equivalents (Note 2)	\$ 179,771	\$ 462,921	\$ 642,692	\$ 55,777
Due from other accounts	10	-	10	35,997
Capital assets	-	-	-	70,426
Total assets	\$ 179,781	\$ 462,921	\$ 642,702	\$ 162,200
Liabilities and Fund Equity				
Liabilities				
Due to City of Southgate	\$ 96,062	\$ -	\$ 96,062	\$ 32,000
Due to State of Michigan	17,370	-	17,370	-
Due to Wayne County	1,872	-	1,872	-
Due to Secretary of State	1,890	-	1,890	-
Due to General Account	-	10	10	-
Due to Work Program	35,997	-	35,997	-
Deposits	-	454,215	454,215	-
Trust account and other	20,921	8,696	29,617	-
District Capital Improvement Fund	5,669	-	5,669	-
Total liabilities	179,781	462,921	642,702	32,000
Fund Equity				
Investment in general fixed assets	-	-	-	70,426
Fund balance	-	-	-	59,774
Total fund equity	-	-	-	130,200
Total liabilities and fund equity	\$ 179,781	\$ 462,921	\$ 642,702	\$ 162,200

District Court Funds of District No. 28

City of Southgate, Michigan

Statement of Revenue, Expenditures, and Change in Fund Balance Component Unit June 30, 2003

	Work Program
Revenue - Work Program	\$ 393,932
Expenditures	
Salaries	199,962
Taxes	61,935
Supplies	65,507
Operating expenses	41,613
Transportation	6,118
District Court improvements	300,000
Miscellaneous	10,519
	<u>685,654</u>
Excess of Expenditures Over Revenue	(291,722)
Fund Balance - July 1, 2002	<u>351,496</u>
Fund Balance - June 30, 2003	<u><u>\$ 59,774</u></u>

District Court Funds of District No. 28

City of Southgate, Michigan

Notes to Financial Statements
June 30, 2003

Note I - Significant Accounting Policies

The accounting policies of the 28th District Court (the "District Court") conform to accounting principles generally accepted in the United States of America applicable to governmental units. The following is a summary of significant accounting policies:

Reporting Entity

The District Court is governed by one elected judge. As required by accounting principles generally accepted in the United States of America, these financial statements present the District Court and its component unit. The Work Program is a component unit (not-for-profit organization) and is included in the District Court's reporting entity because of the significance of its operational or financial relationships with the District Court. The Work Program has a separate federal identification number and is used to account for fees paid by defendants and the expenses related to community services performed by and provided to defendants. The Work Program is governed by the judge. The District Court is responsible for traffic and moving violations, certain civil matters, and misdemeanors within the City limits.

Fund Accounting

The accounts of the District Court are organized on the basis of funds, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories as follows:

Governmental Fund - Special Revenue Fund - The Work Program component unit is a Special Revenue Fund. It is used to account for the proceeds of earmarked revenue requiring separate accounting because of legal or regulatory provisions.

Agency Funds - The General Account and Bond Account of the District Court are Agency Funds. The financial activities of the funds are limited to collections of amounts that are subsequently returned or paid to third parties. The funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Basis of Accounting

The General Account, Bond Account, and Work Program component unit utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.

District Court Funds of District No. 28

City of Southgate, Michigan

Notes to Financial Statements
June 30, 2003

Note 1 - Significant Accounting Policies (Continued)

- b. Normally, expenditures are not divided between years by the recording of prepaid expenses.

Fixed Assets - Fixed assets used in governmental fund-type operations are accounted for in the General Fixed Assets Account Group, rather than in the governmental funds. Such assets are recorded as expenditures at the time of purchase. No depreciation has been provided on general fixed assets.

All fixed assets are recorded at cost or, if donated, at their estimated fair value on the date donated.

Investments - Investments are recorded at fair value, based on quoted market prices.

Upcoming Reporting Change - For the year beginning July 1, 2003, the District Court plans to adopt GASB Statement No. 34. This will revise the information being reported in these financial statements. Governmental activities will report information on a fund basis, as well as the full accrual basis of accounting. Information is not available to present pro forma data that would show the effect of this future change.

Note 2 - Deposits and Investments

The District Court's cash and cash equivalents at June 30, 2003 are comprised of the following:

Checks issued in excess of cash book balance	\$ (146,808)
Petty cash	500
Bank investment pools	<u>789,000</u>
Total	<u>\$ 642,692</u>

District Court Funds of District No. 28

City of Southgate, Michigan

Notes to Financial Statements
June 30, 2003

Note 2 - Deposits and Investments (Continued)

Deposits

The above checks issued in excess of cash book balance were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$122,775. Of that amount, approximately \$100,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The District Court believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the District Court evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. In addition, Work Program deposits were reflected in the accounts of the bank at \$60,997. This entire amount is covered by federal depository insurance.

Investments

The District Court is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles.

The District Court investments during the year consisted solely of bank investment pools. Investments are normally categorized to give an indication of the level of risk assumed by the District Court; however, bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. The District Court believes that the investments in these pools comply with the investment authority noted above.

The bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool shares.

Note 3 - Court Operations

The costs relating to the operation of the District Court are budgeted items of the City of Southgate, Michigan General Fund and, accordingly, such costs are paid by the City's General Fund.

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Notes to Financial Statements
June 30, 2003

Note 4 - Risk Management

The District Court is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The District Court, through the City, has purchased commercial insurance for medical benefit claims; the District Court is uninsured for general liability, property loss, and workers' compensation claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past four fiscal years.

Additional Information



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To the Honorable James A. Kandrevas,
District Judge of the 28th District
City of Southgate, Michigan

We have audited the financial statements of the District Court Funds of District No. 28, City of Southgate, Michigan as of and for the year ended June 30, 2003. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information for the year ended June 30, 2003 listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements of the District Court Funds of District No. 28, City of Southgate, Michigan. This information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Plante & Moran, PLLC

October 16, 2003



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District Court Funds of District No. 28

City of Southgate, Michigan

Schedule of Cash Receipts and Disbursements

Agency Funds

Year Ended June 30, 2003

	General Government		
	General	Bond	
	Account	Account	Total
Cash and Cash Equivalents - July 1, 2002	\$ 215,532	\$ 458,508	\$ 674,040
Receipts			
Fines and fees collected	2,508,429	-	2,508,429
Receipts	-	825,390	825,390
Trust accounts and restitution	38,477	-	38,477
Interest	-	762	762
Total receipts	2,546,906	826,152	3,373,058
Disbursements			
Transfers:			
City of Southgate	1,585,039	-	1,585,039
State of Michigan	289,725	-	289,725
Capital Improvement Fund	137,683	-	137,683
Wayne County	30,152	-	30,152
Judges' retirement system	17,702	-	17,702
Driver's license reinstatement fees	27,534	-	27,534
Transfer to work program	391,691	-	391,691
Bond refunds and forfeitures	-	821,739	821,739
Trust accounts, restitution, and other	103,141	-	103,141
Total disbursements	2,582,667	821,739	3,404,406
Cash and Cash Equivalents - June 30, 2003	\$ 179,771	\$ 462,921	\$ 642,692